

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 COME-00 CIAE-00 INR-10 NSAE-00

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 3505

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E.OM 11652: N/A

TAGS: EIND, ETRD

SUBJ: US FERROUS SCRAP EXPORTS

REF: A. STATE A-7404; B. STATE 165346; C. BA 6085;

D. STATE 148402

1. EMBASSY HAS NOTED AND IS CONCERNED OVER SIGNIFICANCE OF DATA CONTAINED TABLE 1 REF (A) WHICH SHOWS THAT JULY EXPORTS TO ARGENTINA TOTALLED 35,000 SHORT TONS AND THAT ONLY 120,000 SHORT TONS HAVE BEEN ORDERED FOR AUG-DEC PERIOD 1973. THESE DATA INDICATE THAT THE TOTAL OF FERROUS SCRAP IMPORTS FOR ARGENTINA AVAILABLE FROM THE US IN SECOND SEMESTER TOTAL ONLY 155,000 SHORT TONS. INFORMATION PROVIDED IN REF (D) INDICATED THAT ARGENTINA HAD ON ORDER AND COULD EXPECT TO RECEIVE 213,000 SHORT TONS IN SECOND SEMESTER 1973. DISCREPANCY OF ALMOST 60,000 TONS, SIGNIFYING SUBSTANTIALLY LOWER AVAILABILITIES FOR ARGENTINA, MAY COMPLICATE ECONOMIC AND POLITICAL PROBLEMS IN BILATERAL RELATIONS DURING COMING MONTHS.

2. UPON ANNOUNCEMENT BY USG IN EARLY JULY THAT US FERROUS SCRAP EXPORTS WERE TO BE LIMITED AND CONTROLLED, GOA MADE REPRESENTATIONS TO THIS EMBASSY, TO DEPARTMENT AND OTHER US AGENCIES INDICATING ARGENTINE NEEDS FOR SCRAP: IN SECOND SEMESTER 1973 WERE ABOUT 300-350,000 TONS. SINCE ARGENTINA HAD RECEIVED

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APPROXIMATELY 150,000 TONS IN FIRST SEMESTER, THIS INDICATED

ARGENTINA NEEDED 450,500,000 TONS FOR CY73. (THERE WAS SOME DISCREPANCY IN SUCH PRESENTATIONS WITH OTHER GOA ALLEGATIONS THAT ITS NEED FOR IMPORTED SCRAP IN 1973 WOULD BE IN ORDER OF 550-600,000 TONS AND THAT IT WOULD NEED EQUIVALENT OR LARGER AMOUNT IN 1974. WE HAVE DISCOUNTED THE UPPER RANTES OF THESE ESTIMATES AS ARGENTINE ATTEMPT TO ESTABLISH HIGH BASIS FOR ALLOCATIONS IN 1974 SHOULD US EXPORTS CONTINUE CONTROLLED.)

3. UPON ANALYSIS, EMBASSY ARRIVED AT CONCLUSION REFLECTED IN REF (C) THAT, IF ARGENTINA RECEIVED ABOUT 150,000 SHORT TONS FERROUS SCRAP FROM US IN FIRST SEMESTER 1973 AND 213,000 TONS IN SECOND SEMESTER AS REF (D) HAD INDICATED PROBABLY, ARGENTINE SUPPLIES OF FERROUS SCRAP FROM ALL SOURCES WOULD BE CONTINUING A STEADY CLIMB STARTED IN 1969. WE FOUND THAT ALTHOUGH ARGENTINE STEEL INDUSTRY AND MANUFACTURING INDUSTRIES WOULD DESIRE AND COULD USE MORE THAN AMOUNTS PROGRAMED OR ESTIMATED AVAILABLE, THERE WAS NO APPARENT JUSTIFICATION FOR MAKING SPECIAL PROVISIONS FOR EXTRAORDINARY SUPPLIES (US EXPORTS) TO ARGENTINA MERELY TO ALLOW ACHIEVEMENT OF ARGENTINE ESTABLISHED TARGETS IN GROWTH FOR STEEL PRODUCTION, PRODUCTION CAPABILITIES WOULD BE RISING THROUGH 1973 AT A COMFORTABLE RATE, ALTHOUGH THAT RATE WOULD NOT MEET MAXIMUM ARGENTINE ASPIRATIONS.

4. A DOWNWARD REVISION OF FERROUS SCRAP AVAILABILITIES FROM THE US FOR EXPORT TO ARGENTINA OF SOME 58,000 TONS (FROM 213,000 AS INDICATED BY REF (D) TO 155,000 AS INDICATED BY REF (A) TABLE 1) WILL BE A SIGNIFICANT BLOW TO THE ARGENTINE STEEL INDUSTRY IN THE REMAINING MONTHS OF 1973. ESSENTIALLY, IT MEANS THAT INSTEAD OF BEING ABLE TO IMPTRT 178,000 TONS IN THE LAST FIVE MONTHS, ONLY 120,000 TONS WILL BE AVAILABLE. THE PERCENTAGE CHANGES IN TERMS OF IMPORTS WILL BE VERY LARGE. THE PERCENTAGE CHANGES IN TERMS OF TOTAL AVAILABILITIES ARE NOT SO EASILY CALCULABLE BUT ARE ALSO VERY SIGNIFICANT.

5. UPON RECEIPT OF REF (D), AND IN ANTICIPATION THAT THE USG WOULD NOT BE ABLE TO ACT SOON IF AT ALL TO MEET ANY SPECIAL ARGENTINE REQUEST, WE SOUGHT TO ALLAY ARGENTINE CONCERNS OVER FERROUS SCRAP SUPPLIES BY INDICATING TO THEM, (SEE REF C), THAT IN ADDITION TO SCRAP RECEIVED DURING FIRST SEMESTER, APPROXIMATELY 213,000 SHORT TONS SHOULD BE AVAILABLE IN SECOND LIMITED OFFICIAL USE

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SEMESTER. IT IS OUR IMPRESSION THAT ARGENTINE OFFICIALS RECEIVED THIS INFORMATION WITH SOME RELIEF ALTHOUGH THEY REITERATED THEIR REQUEST FOR SPECIAL CONSIDERATION AND SECOND SEMESTER IMPORT SUPPLIES FROM US OF 300,000 TONS OR MORE. GOA PLUS MAJOR STATE ENTERPRISE SOMISA FABRICACIONES MILITARES ARE EXPECTED TO BE GREATLY DISAPPOINTED AND UPSET IF ACTUAL IMPORSTS FROM US IN SECOND SEMESTER LIMITED TO 155,000 TONS.

6. EMBASSY REQUESTS THAT APPROPRIATE USG AGENCIES REVIEW DATA
IN TABLE 1 REF A. PLEASE PROVIDE TO EMBASSY CLEARST AND MOST
JUSTIFIABLE BASIS FOR REVISION B WWARD FROM DATA SUPPLIED
REF DM PLEASE INDICATE TO EXTENT POSSIBLE CHANCES FOR
MAKING INCREASED SUPPLIES AVAILABLE TO ARGENTINA (150-200,000
TONS INSTEAD OF 120,000 TONS IN AUG-DEC 1973 PERIOD).
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